

Message Text

UNCLASSIFIED

PAGE 01 BONN 06468 041959 Z

71

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-02 DODE-00 PA-03 USIA-12 PRS-01 RSR-01 /156 W
----- 109560

R 041748 Z MAY 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4854

INFO EC BRUSSELS 109

OECD PARIS 040

UNCLAS BONN 6468

DEPARTMENT PASS TREASURY, FEDERAL RESERVE AND CEA

E. O. 11652: N/ A

TAGS: EFIN, GW

SUBJECT: KONJUNTURRAT MEETS AMID REPORTS OF WORSENING
INFLATION

REF: (A) BONN 6323; (B) BONN 6062; (C) BONN 6359

1. THE KONJUNKURRAT (THE PUBLIC SECTOR ADVISORY COUNCIL ON THE
BUSINESS CYCLE) MET MAY 3. THE SUBSEQUENT PRESS RELEASE ANNOUNCED
MEMBERS OF THE GROUP (CONSISTING PRIMARILY OF THE FEDERAL MINISTER
OF ECONOMICS AND LAENDER ECONOMICS MINISTRY REPRESENTATIVES) WERE
UNANIMOUS IN THEIR ASSESSMENT OF CURRENT ECONOMIC CONDITIONS. THE
GROUP ANNOUNCED THAT-- IN VIEW OF CONTINUED HEAVY EXPANSIONARY
PRESSURES AND THE VERY
HIGH RATE OF INCREASE IN THE COST OF LIVING-- IT RECOMMENDED
THE FOLLOWING FISCAL AND MONETARY MEASURES:

A) CURRENT PLANS FOR PUBLIC SECTOR BORROWING (A TOTAL
OF AROUND DM 18.9 BILLION) SHOULD BE REDUCED BY DM 4.5
BILLION. THE COUNCIL DID NOT COMMENT ON HOW THE RECOMMENDED
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 06468 041959 Z

REDUCTION SHOULD BE APPORTIONED BETWEEN FEDERAL, STATE AND LOCAL GOVERNMENTS.

B) THE LEVEL OF PUBLIC SECTOR EXPENDITURE IN 1973 AT ALL LEVELS SHOULD BE KEPT BELOW CURRENT PLANS AND THE FUNDS THIS SAVED SHOULD BE STRILIZED. TAX REVENUE IN EXCESS OF AMOUNTS NOW FORESEEN SHOULD BE SAVED, NOT SPENT.

C) THE FEDERAL GOVERNMENT SHOULD EXAMINE WAYS TO HOLD DOWN THE GROWTH RATE OF PRIVATE DEMAND IN THE FRG.

D) THE BUNDESBANK SHOULD CONTINUE TO USE THE LEEWAY FOR ACTION PROVIDED BY THE MOST RECENT CURRENCY REALIGNMENTS TO FOLLOW RESTRICTIVE MONETARY POLICY (AS EXEMPLIFIED BY THE RECENT INCREASE IN REDISCOUNT RATES-- SEE REFTEL C).

E) THE LEGISLATURE SHOULD RAPIDLY PASS THE LONG- DELAYED AMENDMENT TO THE CARTEL LAW AND EVERY EFFORT SHOULD BE MADE TO INCREASE COMPETITION AS AN ANTI- INFLATIONARY TOOL.

2. AT THE SAME TIME THE KONJUNTURRAT WAS MEETING, VARIOUS UNION ORGANIZATIONS (INCLUDING THE DGB) WERE ANNOUNCING THAT THEY COULD NOT GUARANTEE PEACE ON THE LABOR FRONT IF ENERGETIC ANTI- INFLATIONARY MEASURES WERE NOT ENACTED IMMEDIATELY. CASH

UNCLASSIFIED
NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GW
Control Number: n/a
Copy: SINGLE
Draft Date: 04 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN06468
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730536/aaaahwku.tel
Line Count: 84
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 73 BONN 6323, 73 BONN 6062, 73 BONN 6359
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 22 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22-Aug-2001 by cunninfx>; APPROVED <27-Aug-2001 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 971209
Subject: KONJUNTURRAT MEETS AMID REPORTS OF WORSENING INFLATION
TAGS: EFIN
To: EB
EC BRUSSELS
OECD PARIS
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005